



# Business review JANUARY–MARCH 2024





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Remedy Entertainment Plc | Business Review January–March 2024

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## **Franchise strategy clarified by the Control publishing rights acquisition**

### **Higher revenue and improved profitability versus the comparison period**

*The Business Review is unaudited. Figures in parentheses refer to the comparison period in the previous year, unless otherwise stated.*

#### **Highlights from January–March 2024**

- Revenue increased by 56.2% to EUR 10.8 (6.9) million.
- EBITDA increased to EUR -1.2 (-4.9) million.
- Operating profit (EBIT) was EUR -2.1 (-5.6) million, and the operating profit margin was -19.3% (-81.0%) of revenue.
- Cash flow from operations was EUR 3.3 (-3.9) million.
- In February, Remedy acquired full rights to the Control franchise from 505 Games. Upon the transaction, all rights to Control, codename Condor, Control 2, and all future Control products reverted to Remedy.

## Key Figures

MEUR, IFRS, Group, unaudited	1-3/2024	1-3/2023	1-12/2023
Revenue	10.8	6.9	33.9
Growth in revenue, %	56.2%	-45.4%	-22.2%
EBITDA	-1.2	-4.9	-17.0
Operating profit (EBIT)	-2.1	-5.6	-28.6
Operating profit, % of revenue	-19.3%	-81.0%	-84.4%
Result for review period	-2.0	-5.6	-22.7
Result for review period, % of revenue	-18.5%	-81.6%	-66.8%
Balance sheet total	90.4	94.2	79.0
Cash flow from operations	3.3	-3.9	-16.0
Net cash	21.0	43.9	23.8
Cash and cash equivalents	17.0	39.8	20.1
Net gearing, %	-31.5%	-52.3%	-35.1%
Equity ratio, %	73.7%	89.1%	85.5%
Capital expenditures	19.6*	2.1	10.0
Average number of personnel during review period (FTE)	345	328	334
Headcount at the end of period	360	342	352
Earnings per share, €	-0.15	-0.42	-1.68
Earnings per share, € (diluted)	-0.14	-0.41	-1.66
Number of shares at the end of period	13,516,401	13,469,100	13,490,151

\*Contains 16.9 million invested in publishing rights of Control franchise

## Comments by CEO Tero Virtala

In February, we took a significant strategic step by acquiring full rights to the Control franchise from 505 Games for the maximum purchase price of approximately EUR 17 million. At the same time, we made the first of three payments, which had a 3.8 million negative impact on our cash position. The next payments are expected to take place in the latter half of 2024 and early 2025. Thanks to the Control acquisition, we can now freely decide on the future of our two established franchises, Control and Alan Wake. We are currently weighing self-publishing and related business models. Simultaneously, we are actively looking into different partner publishing models and evaluating potential partners.

In February 2024, Remedy announced that *Alan Wake 2* had sold 1.3 million units as of the beginning of February. *Alan Wake 2* sales have continued with a high average price. At the end of the first quarter, the game had recouped a significant part of the development and marketing expenses. During the first quarter, the team focused on working on the downloadable content (DLC) that will extend *Alan Wake 2*.

In the first quarter of 2024 revenue was higher compared to a year ago. Development fees increased from the comparison period, mainly due to higher development fees from *Max Payne 1&2 remake*. Royalties grew year-on-year driven by *Control* and *Alan Wake Remastered*. *Alan Wake 2* did not yet generate royalty revenue. In the first quarter our operating profit improved compared to a year ago. The operating cash flow was positive and at the quarter end we had EUR 17.0 million in cash and cash equivalents, with an additional EUR 10.4 million invested in financial instruments.

*Codename Condor*, a part of the *Control* franchise, moved to full production meaning it has reached the final development stage before a game is launched. Based on wide internal playtests, we can see that the core loop is engaging, and the game brings a unique Remedy angle to the genre.

*Control 2* team has focused on finalizing the proof-of-concept stage, in which the game world, game mechanics and visual targets are proven. We expect the project to advance to the production readiness stage during the second quarter of 2024.

*Max Payne 1&2 remake* continued in the production readiness stage. The game is expected to move into full production during the second quarter of 2024.

*Codename Kestrel* continued in the concept stage. The team works to refine the game concept.

After the *Control* rights acquisition, we can freely choose the right model with which to grow our two franchises and expand the Remedy Connected Universe. When expanding high-quality franchises, each new game benefits from the success of its predecessors and the existing fan base. We continue seeking further focus and synergies across our games portfolio and operations. Soon we expect to have two game projects simultaneously in full production and one in the production readiness stage for the first time. We are confident that the good progress of the beginning of the year carries over to the full production stages.

## **Outlook 2024 (unchanged)**

Remedy expects its revenue to increase from the previous year and operating profit (EBIT) to improve.

The revenue growth rate and EBIT improvement are meaningfully dependent on the choice between self-publishing and/or choosing a new publishing partner for the games in the *Control* franchise (*Codename Condor* and *Control 2*).

We will specify the Outlook for 2024 when the decision for the business model and the potential agreements for *Control 2* and *Condor* have been made.

## Long-term business prospects

We have two established own franchises, Control and Alan Wake, which are linked through the Remedy Connected Universe. Growing and expanding these franchises will be a key part of our future. In addition, we work with a partner franchise Max Payne that was originally created by Remedy.

## Events after the end of the reporting period

The Annual General Meeting was held on April 12, 2024. The Annual General Meeting adopted the Financial Statements for 2023, discharged the members of the Board of Directors and the CEO from liability, adopted the company's Remuneration Policy and Remuneration Report and approved all proposals made to the Annual General Meeting in the form included in the notice to the Annual General Meeting. The Annual General Meeting resolved that no dividends shall be distributed for the financial period ended on December 31, 2023. Markus Mäki, Kaisa Salakka, Sonja Ängeslevä, Henri Österlund and Kai Tavakka were elected to the Board of Directors. At its organizing meeting held after the Annual General Meeting, the Board of Directors elected Markus Mäki to continue as the Chairman of the Board of Directors.

Between January 1 and March 31, 2024, a total of 36,250 new shares of Remedy were subscribed for with the company's stock options 2018 and 2019. The shares subscribed for under the stock options were registered in the Trade Register on April 11, 2024, after which the total number of shares is 13,552,651.

On April 25, 2024, Remedy announced changes to the core management team. Remedy's Chief Operations Officer, Christopher Schmitz has resigned and will leave Remedy on May 31, 2024. Mikael Kasurinen has been appointed Remedy's Creative Director and will share the Creative Director responsibilities with Sami Järvi. Kasurinen joins Remedy's Core Management Team.

Remedy received the following flagging notifications after the reporting period. Tencent Holdings Limited's total holding increased above the 10% threshold on April 24, 2024. Working Capital Advisors (UK) Ltd's total holding decreased below the 5% threshold on April 24, 2024.

## Webcast and conference call

Remedy will host a webcast and conference call in English on its Q1 2024 financial results for investors, analysts and media on April 29, 2024, at 2:00 p.m. (EEST). Remedy's financial results will be presented by CEO Tero Virtala and CFO Terhi Kauppi.

The Business review will be available after publication on Remedy's Investor website: <https://investors.remedygames.com/financials-and-reports/financial-reports/>.

## Webcast details:

Register in advance for the webcast:

[https://remedy.zoom.us/webinar/register/WN\\_CadK4Ci9TcOE4gL113WnnQ](https://remedy.zoom.us/webinar/register/WN_CadK4Ci9TcOE4gL113WnnQ)

After registering, you will receive a confirmation email containing information about joining the webcast.

## Conference call details:

Dial in by calling your local phone number a few minutes before the briefing begins. International numbers are available at: <https://remedy.zoom.us/j/kbZXDFBZgc>.

Finland: +358 9 7252 2471

Sweden: +46 850 539 728

United Kingdom: +44 330 088 5830

United States: +1 646 558 8656

Webinar ID: 857 1013 9504

Passcode: 487991

A recording of the webcast will be available afterwards on Remedy's Investor website:

<https://investors.remedygames.com/financials-and-reports/webcasts-and-presentations/>.

## More information

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## Remedy in brief

Remedy Entertainment Plc is a pioneering, globally renowned video game company founded in 1995 and headquartered in Finland with an office in Stockholm, Sweden. Known for its story-driven and visually stunning action games, Remedy has created multiple successful, critically acclaimed franchises such as Control, Alan Wake and Max Payne. Remedy also develops its own Northlight game engine and tools technology that powers many of its games. Remedy's shares are listed on Nasdaq Helsinki's main list.

[www.remedygames.com](http://www.remedygames.com)

## Notes to Business Review January–March 2024

### Revenue breakdown per quarter

EUR thousand	1–3/2024	10–12/2023	7–9/2023	4–6/2023	1–3/2023
Development fees	8,961	7,648	6,714	7,948	6,440
Royalties	1,834	2,655	1,102	955	471
<b>Total</b>	<b>10,795</b>	<b>10,302</b>	<b>7,816</b>	<b>8,903</b>	<b>6,911</b>

### Calculation formulas used for the indicators

**EBITDA:** Operating profit (EBIT) + depreciation and amortization

**Operating profit (EBIT):** Profit (loss) before taxes and financial items

**Operating profit, % of revenue:** Operating profit (EBIT) / revenue

**Net cash:** Cash and cash equivalents + liquid investments\* - interest-bearing liabilities

**Net gearing, %:** (Interest-bearing liabilities - cash and cash equivalents – liquid investments\*) / shareholders' equity

**Equity ratio:** Shareholders' equity / (balance sheet total - advances received)

**Capital Expenditures:** Change in tangible and intangible assets added by depreciation of these assets

\*Liquid investments include Remedy's liquid investments to equity funds.

Espoo, April 29, 2024  
 Remedy Entertainment Plc  
 Board of Directors

This is not an interim report as defined in IAS 34. Remedy follows the half-year reporting schedule according to Finnish Securities Market Act and publishes business reviews off the first three and nine months of the fiscal year. These business reviews will include the most essential information regarding the company's financial performance. The financial figures presented in this business review are unaudited.